



THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

FINANCIAL STATEMENTS

For The Year Ended June 30, 2008



REHMANN ROBSON

Certified Public Accountants

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

For the Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	16
Statement of Fiduciary Assets and Liabilities.....	17
Notes to the Financial Statements	18-31
Combining Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds	32
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	33
Single Audit	
Schedule of Expenditures of Federal Awards	34
Notes to Schedule of Expenditures of Federal Awards	35
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	38-39
Schedule of Findings and Questioned Costs	40-46



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INDEPENDENT AUDITORS' REPORT

October 10, 2008

Board of Education
The School District of the City of Harper Woods
Harper Woods, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of Harper Woods, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Harper Woods, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District of the City of Harper Woods' basic financial statements. The combining fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of School District of the City of Harper Woods. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Harper Woods School District annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Harper Woods School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, the Capital Project Fund and the Debt Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (like bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the fiduciary for the funds held on behalf of others. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District is the trustee for the Special Purpose/Trust accounts. These accounts include donations or gifts designated for a specific purpose (i.e. Scholarships). It also acts as the custodial agent for the district's student activity funds.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole and over time, may serve a useful indicator of a government's financial position. Below is a summary of the School District's net assets as of June 30, 2008 and 2007.

District's Net Assets

	Governmental Activities	
	(in millions)	
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 6.2	\$ 13.9
Capital assets	<u>37.1</u>	<u>33.5</u>
Total assets	<u>43.3</u>	<u>47.4</u>
Liabilities		
Current liabilities	2.8	2.4
Long-term liabilities	<u>36.8</u>	<u>37.4</u>
Total liabilities	<u>39.6</u>	<u>39.8</u>
Net Asset		
Invested in capital assets – net of related debt	1.2	5.9
Restricted		.2
Unrestricted	<u>2.6</u>	<u>1.5</u>
Total net assets	<u>\$ 3.8</u>	<u>\$ 7.6</u>

The decrease in total assets and total liabilities at June 30, 2008 from June 30, 2007 is directly related to the demolition of one of the district's buildings. The School District's net assets were \$3.8 million at June 30, 2008. Capital assets, net of related debt totaling \$1.2 million, compares the original cost, less depreciation of the School District's capital assets, plus any unspent bond proceeds to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$2.6 million, was unrestricted.

The \$2.6 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Below is a summary of the School District's changes in net assets for the years ended June 30, 2008 and 2007.

District's Changes in Net Assets

	Governmental Activities	
	(in millions)	
	2008	2007
Revenue:		
Program revenue:		
Charges for services	\$ 0.3	\$.3
Operating grants and contributions	1.6	1.3
General Revenue:		
Property taxes	3.8	3.8
State school aid	8.7	8.2
Other	.7	1.6
Total revenue	15.1	15.2
Expenses:		
Instruction	7.0	6.6
Support services	5.0	4.7
Community services	.1	0.1
Athletics	.2	0.2
Food service	0.4	0.4
Interest on long-term debt	1.6	1.6
Unallocated depreciation	.8	.7
Unallocated loss on disposal of assets	3.8	
Total expenses	18.9	14.3
Change in net assets	(3.8)	0.9
Net assets, beginning of year	7.6	6.7
Net assets, end of year	\$ 3.8	\$ 7.6

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$18.9 million. Certain activities were partially funded from those who benefited from the programs (\$.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1.6 million). We paid for the remaining “public benefit” portion of our governmental activities with \$3.8 million in taxes, \$8.7 million in state foundation allowance and special education, and with our other revenues, i.e., interest and general entitlements.

The School District experienced a decrease in net assets of \$3.8 million. The key reasons for the change in net assets is a 3.8 loss from an unallocated disposal of assets. The district retired the old high school middle school and put one new high school middle school into operation. In the fiscal years 2006-2007 both buildings were listed as assets.

As discussed above, the net cost shows the financial burden that was placed on the state and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the

resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,369,651 which is a decrease from the \$11,784,531 as of June 30, 2007. The primary reasons for the change are as follows:

In the General Fund, our principal operating fund, the fund balance decreased \$200,634 from \$2,159,690 to \$1,959,056. The change is mainly due to:

- A prior year adjustment to reflect an error in the cash reported on hand at June 30, 2007.
- An increase in regular and special program expenditures due to increases in salary and contracted services.

The Capital Projects Fund showed a net decrease of \$8.2 million (from \$9,404,150 to \$1,159,194) due to the construction of the new secondary school. The assets have moved from cash and investments into the capital asset category.

Our Special Revenue Funds for the cafeteria and athletic program showed a net increase of \$9,132 (from \$10,521 to \$19,653).

The Debt Service Funds shows a fund balance increase of \$22,753 (from \$210,170 to \$232,932). The millage rate is 7.4 mills (funding a combined Debt Service Fund for both the 2004 bonds and the 2006 Refunding bonds). The millage rate is determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Because the district participates in the State School Bond Loan Fund, it is anticipated that the millage rate of 7.4 mills will remain the same for several years, until the State Bond Loan Fund is fully repaid. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The first adjustment to the 2007-08 budget adopted in June, 2007 occurred in December, 2007, a second budget adjustment was not done and therefore the district's budgeted revenues and expenditures were not adjusted to reflect the many unexpected changes a school district encounters throughout the year. The original budgeted amounts compared with amounts actually paid and the actual amount received is provided with the basic financial statements.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the School District had \$37.5 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment. This year's additions of \$43,063,632 million included building renovations and additions, less depreciation. The decreases were \$39,053,262 of a retired building, furniture and equipment, less depreciation.

	<u>2008</u>	<u>2007</u>
Land	\$ 46,749	\$ 46,749
Construction in progress	357,276	27,010,072
Buildings and building improvements	40,447,249	14,795,536
Furniture and equipment	1,960,233	3,362,993
Accumulated depreciation	(5,280,409)	(11,694,622)

The bond issue approved by the voters in 2004 was sold in December 2004. Renovation work on Beacon and Tyrone Elementaries was substantially completed in 2006. Construction of a new secondary school also began in 2006, and was substantially completed prior to the start of school on September 4, 2008. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this 2007-08 fiscal year, the School District had \$36.8 million in bonds outstanding versus \$37.4 million in the previous year. The School District issued new debt in the amount of \$9,950,000 for the refinancing of a portion of the 2004 bond issue, which will result in a savings in future years' interest payments. The outstanding bonds consist of the following:

2000 General Obligation Bonds (Energy Bonds)	\$ 350,000
2004 School Building and Site Bonds	23,490,000
2006 Refunding Bonds	9,900,000
Total	<u>\$ 33,740,000</u>

The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt", i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$350,000 is below the statutorily imposed limit.

Other obligations include amounts owed to the State Bond Loan Fund, bond premiums recognized from the issuance of the 2004 bond issuance and the 2006 bond refunding which will be amortized over the life of the bonds, and compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2008-09 fiscal year budget. The 2008-09 fiscal year budget was adopted by the Board of Education in June, 2008 as follows:

Estimated July 1, 2008 General Fund Balance	\$ 2,256,155
Revenue	12,142,978
Total Available to Appropriate	14,399,133
Expenditures	12,717,870
Budget Deficit	(574,892)
Estimated June 30, 2008 General Fund Balance	\$ 1,681,263

The actual July 1, 2008 General Fund Balance is \$1,959,056, lower than estimated. The fund equity is 15.7% of the 2007-08 General Fund expenditures which were \$12,419,575, including transfers to the Athletic Fund and payment for the district's energy bond. This complies with the Board of Education policy of maintaining a General Fund Balance greater than 15% of the previous year's expenditures.

One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008-2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The 2008-09 budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008 of 1236 (compared with student counts of 1239.8 and 1233.4 in September, 2007 and February, 2008, respectively). Approximately 90 percent of total General Fund revenue is from the foundation allowance (including the 18 mills local tax portion and the State Aid portions under the State Aid Act sections 22(a), 22(b) and the Special Education section 51(a)). Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is

heavily dependent on the state's ability to fund local school operations. Based on enrollment data at the start of the 2008-09 school year, the preliminary fall student count is about 1250, higher than the 1236 estimate used in creating the 2008-09 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The foundation grant per student for Harper Woods in 2007-08 was \$8,019. The State has established the foundation grant increase per pupil for the 2008-09 fiscal year at \$56.00 per student for Harper Woods Schools. It is also important to remember that although the State is estimating a slight increase in the per pupil allocation for the 2008-09 school year, these monies will be needed to pay for the increases in a number of expenses.

The full per pupil allocation is based on the district receiving the 18 mills of Non-Homestead taxes each year. The expiration date of the 18 mill levy is December, 2014, subject to potential Headlee Rollbacks in the future if the District's State Equalized Value (SEV) increases faster than the inflation rate,

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Harper Woods Schools, Business Manager, 20225 Beaconsfield, Harper Woods, Michigan 48225, telephone 313-245-3023.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The School District of the City of Harper Woods
Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets	
Cash and investments	\$ 3,854,615
Receivables	1,861,756
Inventories	11,324
Prepaid costs	86,203
Capital assets, not being depreciated	404,025
Capital assets being depreciated, net	<u>37,127,073</u>
Total assets	<u>43,344,996</u>
Liabilities	
Accounts payable	1,731,488
Accrued payroll and other liabilities	1,071,543
Long-term liabilities:	
Due within one year	1,395,000
Due in more than one year	<u>35,385,089</u>
Total Liabilities	<u>39,583,120</u>
Net Assets	
Invested in capital assets, net of related debt	1,208,125
Unrestricted	<u>2,553,751</u>
Total net assets	<u><u>\$ 3,761,876</u></u>

The accompanying notes are an integral part of these basic financial statements.

The School District of the City of Harper Woods
Statement of Activities
For the Year Ended June 30, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 6,979,178	\$ -	\$ 1,342,329	\$ (5,636,849)
Support services	5,005,008	-	-	(5,005,008)
Food services	419,936	167,888	246,854	(5,194)
Athletics	187,691	33,526	-	(154,165)
Community services	113,648	86,297	-	(27,351)
Interest on long-term debt	1,583,038	-	-	(1,583,038)
Unallocated depreciation	764,162	-	-	(764,162)
Unallocated loss on disposal of assets	3,823,964	-	-	(3,823,964)
Total	\$ 18,876,625	\$ 287,711	\$ 1,589,183	(16,999,731)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,793,879
Property taxes, levied for debt services				1,969,926
Unrestricted state aid				8,651,486
Grants and contributions not restricted to specific programs				261,333
Unrestricted investment earnings				483,682
				<u>13,160,306</u>
Change in net assets				(3,839,425)
Net assets, beginning of year				<u>7,601,301</u>
Net assets, end of year				<u>\$ 3,761,876</u>

The accompanying notes are an integral part of these basic financial statements.

FUND FINANCIAL STATEMENTS

The School District of the City of Harper Woods
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Assets					
Cash and investments	\$ 1,144,460	\$ 2,407,096	\$ 232,753	\$ 70,306	\$ 3,854,615
Receivables	1,831,966	-	120	29,670	1,861,756
Due from other funds	19,414	287	50	10,469	30,220
Inventories	-	-	-	11,324	11,324
Prepaid items	86,203	-	-	-	86,203
	<u>3,082,043</u>	<u>2,407,383</u>	<u>232,923</u>	<u>121,769</u>	<u>5,844,118</u>
TOTAL ASSETS	<u>\$ 3,082,043</u>	<u>\$ 2,407,383</u>	<u>\$ 232,923</u>	<u>\$ 121,769</u>	<u>\$ 5,844,118</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 52,619	\$ 1,248,189	\$ -	\$ 71,896	\$ 1,372,704
Accrued payroll and other liabilities	1,071,543	-	-	-	1,071,543
Due to other funds	-	-	-	30,220	30,220
	<u>1,124,162</u>	<u>1,248,189</u>	<u>-</u>	<u>102,116</u>	<u>2,474,467</u>
Total liabilities	<u>1,124,162</u>	<u>1,248,189</u>	<u>-</u>	<u>102,116</u>	<u>2,474,467</u>
Fund balances					
Reserved:					
Inventories	-	-	-	11,324	11,324
Prepays	86,203	-	-	-	86,203
Debt service	350,000	-	232,923	-	582,923
Bonded capital projects	-	1,159,194	-	-	1,159,194
Other long-term obligations	457,116	-	-	-	457,116
Unreserved, undesignated, reported in:					
General Fund	1,064,562	-	-	-	1,064,562
Special revenue funds	-	-	-	8,329	8,329
	<u>1,957,881</u>	<u>1,159,194</u>	<u>232,923</u>	<u>19,653</u>	<u>3,369,651</u>
Total fund balances	<u>1,957,881</u>	<u>1,159,194</u>	<u>232,923</u>	<u>19,653</u>	<u>3,369,651</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,082,043</u>	<u>\$ 2,407,383</u>	<u>\$ 232,923</u>	<u>\$ 121,769</u>	<u>\$ 5,844,118</u>

The accompanying notes are an integral part of these basic financial statements.

The School District of the City of Harper Woods
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2008

Fund balances - total governmental funds	\$ 3,369,651
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and therefore are not
reported in the funds.

Add: capital assets not being depreciated	404,025
Add: capital assets being depreciated	42,407,482
Deduct: accumulated depreciation	(5,280,409)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore
are not reported in the funds.

Deduct: bonds payable and related deferred amounts	(36,322,973)
Deduct: accrued interest on bonds payable	(358,784)
Deduct: compensated absences	(457,116)

Net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 0;">\$ 3,761,876</div>
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The accompanying notes are an integral part of these basic financial statements.

The School District of the City of Harper Woods
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Local sources	\$ 2,238,277	\$ 331,546	\$ 2,025,294	\$ 201,414	\$ 4,796,531
State sources	9,570,087	-	-	14,326	9,584,413
Federal sources	409,402	-	-	246,854	656,256
Total revenue	<u>12,217,766</u>	<u>331,546</u>	<u>2,025,294</u>	<u>462,594</u>	<u>15,037,200</u>
Expenditures					
Current:					
Instruction	6,956,373	-	-	-	6,956,373
Support services	5,011,173	-	-	-	5,011,173
Community services	113,648	-	-	-	113,648
Food services	-	-	-	419,936	419,936
Athletics	-	-	-	187,691	187,691
Debt service:					
Principal	-	-	1,340,000	-	1,340,000
Interest and fiscal charges	-	-	1,544,749	-	1,544,749
Other	-	-	15,829	-	15,829
Capital outlay	-	8,576,502	-	-	8,576,502
Total expenditures	<u>12,081,194</u>	<u>8,576,502</u>	<u>2,900,578</u>	<u>607,627</u>	<u>24,165,901</u>
Revenues over (under) expenditures	<u>136,572</u>	<u>(8,244,956)</u>	<u>(875,284)</u>	<u>(145,033)</u>	<u>(9,128,701)</u>
Other financing sources (uses)					
Issuance of long-term debt	-	-	713,821	-	713,821
Transfers in	-	-	184,216	154,165	338,381
Transfers out	(338,381)	-	-	-	(338,381)
Total other financing sources (uses)	<u>(338,381)</u>	<u>-</u>	<u>898,037</u>	<u>154,165</u>	<u>713,821</u>
Net change in fund balances	(201,809)	(8,244,956)	22,753	9,132	(8,414,880)
Fund balances, beginning of year	<u>2,159,690</u>	<u>9,404,150</u>	<u>210,170</u>	<u>10,521</u>	<u>11,784,531</u>
Fund balances, end of year	<u>\$ 1,957,881</u>	<u>\$ 1,159,194</u>	<u>\$ 232,923</u>	<u>\$ 19,653</u>	<u>\$ 3,369,651</u>

The accompanying notes are an integral part of these basic financial statements.

The School District of the City of Harper Woods
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$	(8,414,880)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		8,598,496
Deduct: depreciation expense		(764,162)
Deduct: loss on disposal of capital assets		(3,823,964)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities		1,340,000
Deduct: proceeds from issuance of long-term liabilities		(713,821)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in accrued interest payable on bonds		(64,928)
Add: amortization of bond deferred amounts		26,639
Deduct: increase in the accrual for compensated absences		(22,805)

Change in net assets of governmental activities	\$	(3,839,425)
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The accompanying notes are an integral part of these basic financial statements.

The School District of the City of Harper Woods
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2008

	Budget			Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Local source	\$ 2,189,113	\$ 2,241,911	\$ 2,238,277	\$ (3,634)
State sources	8,839,206	9,411,346	9,570,087	158,741
Federal sources	438,732	454,613	409,402	(45,211)
Total revenues	11,467,051	12,107,870	12,217,766	109,896
Expenditures				
Instruction				
Basic programs	5,542,768	5,853,582	5,883,327	29,745
Added needs	985,426	1,044,422	1,073,046	28,624
Total instruction	6,528,194	6,898,004	6,956,373	58,369
Supporting services				
Pupil	928,283	806,439	872,005	65,566
Instructional staff	399,056	518,229	540,008	21,779
General administration	309,672	296,172	315,068	18,896
School administration	928,196	936,466	913,044	(23,422)
Business	329,005	330,156	396,159	66,003
Operations and maintenance	1,435,894	1,517,305	1,660,721	143,416
Pupil transportation services	209,374	209,743	241,991	32,248
Central services	45,980	54,309	72,177	17,868
Total supporting services	4,585,460	4,668,819	5,011,173	342,354
Community service	105,646	119,777	113,648	(6,129)
Total expenditures	11,219,300	11,686,600	12,081,194	394,594
Revenues over (under) expenditures	247,751	421,270	136,572	(284,698)
Other financing sources (uses)				
Transfers out	(300,805)	(324,805)	(338,381)	(13,576)
Net change in fund balance	(53,054)	96,465	(201,809)	(298,274)
Fund balance, beginning of year	2,159,690	2,159,690	2,159,690	-
Fund balance, end of year	<u>\$ 2,106,636</u>	<u>\$ 2,256,155</u>	<u>\$ 1,957,881</u>	<u>\$ (298,274)</u>

The accompanying notes are an integral part of these basic financial statements.

The School District of the City of Harper Woods
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2008

	<u>Student Activities Agency Fund</u>
Assets	
Cash	\$ 83,938
Liabilities	
Due to student groups	\$ 83,938

The accompanying notes are an integral part of these basic financial statements.

NOTES to the FINANCIAL STATEMENTS

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The School District of the City of Harper Woods (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statements No. 14 and No. 39 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2008.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. However, agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the erecting, furnishing and equipping of a new middle/high school building, as well as acquisition of capital assets and renovation of certain other District facilities.

The *debt service* fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

D. Assets, liabilities and equity

1. *Deposits and investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the District are reported at fair value.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

3. *Inventories and prepaid items*

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	20-50
Furniture and equipment	5-10
Buses and other vehicles	5-10

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

5. *Compensated absences*

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Benefits are accrued based on various contract stipulations and lengths of service for the various bargaining units.

6. *Long-term obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary information**

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis.

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

All annual appropriations lapse at fiscal year end.

During the year ended June 30, 2008, the District incurred the following expenditures in excess of the amounts appropriated:

	Final Budget	Actual	Over Final Budget
General Fund -			
Instruction:			
Basic programs	\$ 5,853,582	\$ 5,883,327	\$ 29,745
Added needs	1,044,422	1,073,046	28,624
Supporting services:			
Pupil	806,439	872,005	65,566
Instructional staff	518,229	540,008	21,779
General administration	296,172	315,068	18,896
Business	330,156	396,159	66,003
Operations and maintenance	1,517,305	1,660,721	143,416
Pupil transportation services	209,743	241,991	32,248
Central services	54,309	72,177	17,868

Available fund balance and favorable revenue variances were used to offset the expenditure variances.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets

Cash and investments	\$ 3,854,615
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Statement of Fiduciary Net Assets

Cash and investments	<u>83,938</u>
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\$ 3,938,553

These balances are categorized for note disclosures as follows:

MILAF investment funds	\$ 3,895,176
Deposits	42,880
Cash on hand	<u>497</u>

\$ 3,938,553

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

Statutory Authority

Michigan law authorizes the District to deposit and invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

Investments

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Michigan Liquid Asset Fund	n/a	\$ 3,895,176	S&P-AAAm

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on investments are noted above.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, the District's entire bank balance of \$42,939 was covered by FDIC insurance.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The District has a custodial credit risk exposure of \$3,895,176 on the investment listed above because the related securities are uninsured, unregistered and held by the District's brokerage firm which is also the counterparty for these securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

	Governmental Activities			Total	Amount Not Expected to be Collected Within One Year
	General	Debt	Nonmajor Funds		
Receivables:					
Accounts	\$ 6,475	\$ -	\$ 29,670	\$ 36,145	\$ 29,148
Taxes	-	120	-	120	-
Intergovernmental	1,825,491			1,825,491	
Total	<u>\$ 1,831,966</u>	<u>\$ 120</u>	<u>\$ 29,670</u>	<u>\$ 1,861,756</u>	<u>\$ 29,148</u>

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 46,749	\$ -	\$ -	\$ 46,749
Construction in progress	<u>27,010,072</u>	<u>8,576,502</u>	<u>(35,229,298)</u>	<u>357,276</u>
Total capital assets not being depreciated	<u>27,056,821</u>	<u>8,576,502</u>	<u>(35,229,298)</u>	<u>404,025</u>
Capital assets being depreciated				
Buildings and improvements	14,795,536	34,817,326	(9,165,613)	40,447,249
Furniture and equipment	<u>3,362,993</u>	<u>433,966</u>	<u>(1,836,726)</u>	<u>1,960,233</u>
Total capital assets being depreciated	<u>18,158,529</u>	<u>35,251,292</u>	<u>(11,002,339)</u>	<u>42,407,482</u>
Accumulated depreciation				
Buildings and improvements	(9,618,268)	(604,809)	6,025,861	(4,197,216)
Furniture and equipment	<u>(2,076,354)</u>	<u>(159,353)</u>	<u>1,152,514</u>	<u>(1,083,193)</u>
Total accumulated depreciation	<u>(11,694,622)</u>	<u>(764,162)</u>	<u>7,178,375</u>	<u>(5,280,409)</u>
Capital assets being depreciated, net	<u>6,463,907</u>	<u>34,487,130</u>	<u>(3,823,964)</u>	<u>37,127,073</u>
Capital assets, net	<u><u>\$ 33,520,728</u></u>	<u><u>\$ 43,063,632</u></u>	<u><u>\$ (39,053,262)</u></u>	<u><u>\$ 37,531,098</u></u>

Depreciation expense of \$764,162 was charged to the function “unallocated depreciation”.

D. Payables

Accounts payable and accrued liabilities as of June 30, 2008 for the District’s individual major funds and nonmajor funds in the aggregate, are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund Financial Statements -				
Accounts payable	\$ 52,619	\$ 1,248,189	\$ 71,896	\$ 1,372,704
District-Wide Financial Statements -				
Accrued interest on long-term debt				<u>358,784</u>
				<u><u>\$ 1,731,488</u></u>

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

E. Interfund receivables, payables and transfers

At June 30, 2008, interfund receivables and payables in the fund financial statements consisted of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 19,414	\$ -
Capital Projects Fund	287	-
Debt Service Fund	50	-
Nonmajor governmental funds	<u>10,469</u>	<u>30,220</u>
	<u>\$ 30,220</u>	<u>\$ 30,220</u>

For the year ended June 30, 2008, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 338,381
Debt Service Fund	184,216	-
Nonmajor governmenta fund - athletic	<u>154,165</u>	<u>-</u>
Total	<u>\$ 338,381</u>	<u>\$ 338,381</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2008, the District transferred funds to subsidize the athletics program and to provide funding for energy bond debt service.

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

F. Long-term debt

The following is a summary of bond, note, and compensated absence transactions of the District for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 35,080,000	\$ -	\$ 1,340,000	\$ 33,740,000	\$ 1,360,000
Deferred amounts	421,389	-	26,639	394,750	-
School bond loan fund	1,474,402	713,821	-	2,188,223	-
Retirement incentive	40,000	-	40,000	-	-
Compensated absences	<u>394,311</u>	<u>97,805</u>	<u>35,000</u>	<u>457,116</u>	<u>35,000</u>
	<u>\$ 37,410,102</u>	<u>\$ 811,626</u>	<u>\$ 1,441,639</u>	<u>\$ 36,780,089</u>	<u>\$1,395,000</u>

Bonds payable at June 30, 2008, are comprised of the following issues:

General Obligation Bonds:

\$1,435,000 2000 Energy Bonds, due in annual installments of \$165,000 to \$180,000 through the year 2010; plus interest at 5.0% to 5.1% \$ 350,000

\$35,825,000 2004 Building & Site Bonds, due in annual installments of \$870,000 to \$1,475,000 through the year 2029; plus interest at 2.5% to 5.0% 23,490,000

\$9,950,000 2006 Refunding Bonds, due in annual installments of \$50,000 to \$1,785,000 through year 2034; plus interest at 4.0% to 4.125% 9,900,000

\$ 33,740,000

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 1,360,000	\$ 1,506,374	\$ 2,866,374
2010	1,360,000	1,461,674	2,821,674
2011	875,000	1,413,769	2,288,769
2012	900,000	1,383,144	2,283,144
2013	925,000	1,351,644	2,276,644
2014-2018	5,025,000	6,141,030	11,166,030
2019-2023	5,830,000	4,831,905	10,661,905
2024-2028	7,180,000	3,248,505	10,428,505
2029-2033	8,500,000	1,442,587	9,942,587
2034	1,785,000	73,631	1,858,631
	<u>\$ 33,740,000</u>	<u>\$ 22,854,263</u>	<u>\$ 56,594,263</u>

The School Bond Loan Fund represents amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the Debt Service requirements on the general obligation bonds. Changes to the School Bond Loan Fund for the year ended June 30, 2008, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 1,474,402	\$ 36,391	\$ 1,510,793
Additions	713,821	107,722	821,543
Deletions	-	-	-
Ending balance	<u>\$ 2,188,223</u>	<u>\$ 144,113</u>	<u>\$ 2,332,336</u>

Compensated absences are generally liquidated by the general fund.

Advance Refunding. In 2007, the District issued \$9,950,000 of general obligation refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$9,155,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The balance of these defeased bonds outstanding as of June 30, 2008 was \$9,155,000.

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

G. Commitments and contingencies

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2008.

The District is obligated for construction contracts relating to building projects in the amount of \$956,776 at June 30, 2008.

IV. OTHER INFORMATION

A. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for workers compensation and participates in the SET-SEG (risk pool) for claims relating to property and general liability. The District also participates in the MESSA risk pool for claims related to health medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied by the City of Harper Woods on July 1st. All levies become delinquent on February 14. The Delinquent Tax Revolving Fund of Wayne County advances delinquent real taxes to the District.

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

C. Defined benefit pension plan

Plan Description

The School District of the City of Harper Woods contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contributes at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The School District of the City of Harper Woods is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 16.72% of annual covered payroll. The contribution requirements of plan members and the School District of the City of Harper Woods are established by Michigan State statute and may be amended only by action of the State Legislature. The School District's contributions to MPERS for the years ended June 30, 2008, 2007 and 2006 were \$1,170,147, \$1,208,527, and \$1,052,166, respectively, equal to the required contributions for each year.

THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

Notes to the Financial Statements

Other Postemployment Benefits

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage's for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

D. Bonded Construction Costs

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

* * * * *

COMBINING FUND
FINANCIAL STATEMENTS

The School District of the City of Harper Woods
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Food Services</u>	<u>Athletics</u>	<u>School Store</u>	
<u>ASSETS</u>				
Assets				
Cash and investments	\$ 40,086	\$ 30,220	\$ -	\$ 70,306
Receivables	29,670	-	-	29,670
Due from other funds	7,449	-	3,020	10,469
Inventories	9,431	-	1,893	11,324
TOTAL ASSETS	<u>\$ 86,636</u>	<u>\$ 30,220</u>	<u>\$ 4,913</u>	<u>\$ 121,769</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 71,896	\$ -	\$ -	\$ 71,896
Due to other funds	-	30,220	-	30,220
Total liabilities	<u>71,896</u>	<u>30,220</u>	<u>-</u>	<u>102,116</u>
Fund Balances				
Reserved for inventories	9,431	-	1,893	11,324
Unreserved, undesignated	5,309	-	3,020	8,329
Total fund balances	<u>14,740</u>	<u>-</u>	<u>4,913</u>	<u>19,653</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 86,636</u>	<u>\$ 30,220</u>	<u>\$ 4,913</u>	<u>\$ 121,769</u>

The School District of the City of Harper Woods
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Food Services</u>	<u>Athletics</u>	<u>School Store</u>	
Revenues				
Local sources	\$ 167,888	\$ 33,526	\$ -	\$ 201,414
State sources	14,326	-	-	14,326
Federal sources	246,854	-	-	246,854
Total revenues	429,068	33,526	-	462,594
Expenditures				
Food services	419,936	-	-	419,936
Athletics	-	187,691	-	187,691
Total expenditures	419,936	187,691	-	607,627
Revenues over (under) expenditures	9,132	(154,165)	-	(145,033)
Other financing sources				
Transfers in	-	154,165	-	154,165
Net change in fund balances	9,132	-	-	9,132
Fund balances, beginning of year	5,608	-	4,913	10,521
Fund balances, end of year	<u>\$ 14,740</u>	<u>\$ -</u>	<u>\$ 4,913</u>	<u>\$ 19,653</u>

SINGLE AUDIT

HARPER WOODS SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Program or Award Amount	Accrued (Deferred) Revenue at July 1, 2007	Cash Received/ Payments In Kind	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
U.S. Department of Agriculture:						
Direct Program -						
Food Distribution Program -						
Entitlement Commodities	10.550	\$ 15,401	\$ -	\$ 15,401	\$ 15,401	\$ -
Passed Through the Michigan Department of Education -						
Child Nutrition Cluster:						
National School Breakfast Program	10.553	24,866	1,437	37,611	40,845	4,671
National School Lunch Program	10.555	136,164	6,887	197,495	190,608	-
Total Child Nutrition Cluster			8,324	235,106	231,453	4,671
Total U.S. Department of Agriculture			8,324	250,507	246,854	4,671
U.S. Department of Education:						
Passed Through the Michigan Department of Education:						
Title I:						
Project 071530/0607	84.010	103,289	35,592	36,654	1,062	-
Project 071530/0708	84.010	115,529	-	115,529	115,529	-
Title II Part A :						
Project 070520/0607	84.367	60,356	12,356	12,356	-	-
Project 060520/0708	84.367	60,829	-	15,000	27,918	12,918
Title II Part D -						
Project 064290/0708	84.318	1,086	-	1,086	1,086	-
Title V -						
Project 060250/0708	84.298	252	-	252	252	-
I.D.E.A. Part B -						
Service Provider Self Review	84.027	4,000	-	2,000	2,066	66
Total Passed Through the State of Michigan Department of Education			47,948	182,877	147,913	12,984
Passed Through the Wayne County Regional Educational Services Agency:						
I.D.E.A. Flow-Through:						
Project: 070460/0607	84.027A	261,002	122,849	122,849	-	-
Project: 070460/0708	84.027A	255,240	-	199,533	247,978	48,445
Early Childhood Initiative:						
Project 2006-2007	84.027	2,400	1,200	1,200	-	-
Project 2007-2008	84.027	2,400	-	2,400	2,400	-
I.D.E.A. Part B -						
Transition	84.027	2,012	-	2,012	2,012	-
Preschool Incentive:						
Project number 070460/0607	84.173	10,512	8,012	8,012	-	-
Project number 070460/0708	84.173	12,103	-	6,630	9,099	2,469
Total Passed Through the Wayne County Regional Educational Services Agency			132,061	342,636	261,489	50,914
Total U.S. Department of Education			180,009	525,513	409,402	63,898
Total Federal Assistance			\$ 188,333	\$ 776,020	\$ 656,256	\$ 68,569

The accompanying notes are an integral part of this schedule.

SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

1. FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of School District of the City of Harper Woods (the "District"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The reporting entity of School District of the City of Harper Woods is defined in Note I of the District's basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note I of the District's basic financial statements.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 10, 2008

Board of Education
School District of the City of Harper Woods
Harper Woods, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the ***SCHOOL DISTRICT OF THE CITY OF HARPER WOODS***, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The School District of the City of Harper Woods' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated October 10, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Lohman". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 10, 2008

Board of Education
School District of the City of Harper Woods
Harper Woods, Michigan

Compliance

We have audited the compliance of the ***SCHOOL DISTRICT OF THE CITY OF HARPER WOODS*** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-3 thru 2008-4.

Internal Control Over Compliance

The management of the School District of the City of Harper Woods is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-3 and 2008-4 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the district, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes no

Significant deficiencies identified
not considered to be material weaknesses?

 X yes none reported

Noncompliance material to financial statements
noted?

 yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

 yes X no

Significant deficiency identified
not considered to be material weaknesses?

 X yes none reported

Type of auditors' report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)?

 X yes no

SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2008-1 Material Audit Adjustments

Criteria: The District is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived. The auditors should be able to audit accounts which have been adjusted through the closing process.

Condition: Finding #2007-2 from the June 30, 2007 audit report disclosed a significant deficiency related to the closing process and audit adjustments necessary from that audit. It was noted that “several significant adjustments were necessary to agree key accounts to their proper underlying detail balances....” This condition was disclosed as a material weakness in that report. Management’s response was that in going forward, details of accounts would be monitored. However, this monitoring, analysis, and adjusting process did not occur during the year, but instead did not occur until after the end of the fiscal year when appropriate adjustments were made to several balance sheet accounts by the Interim Business Manager with the assistance of a contracted services person.

Also, two invoices relating to the phase three construction project were erroneously excluded from accounts payable.

Cause: The business office did not adhere to their corrective action response noted in the prior year audit report.

Also, internal controls did not detect all adjustments necessary to properly record year-end adjustments in the current year or the prior year.

Effect: During the year, several balance sheet accounts and related revenue and expenditure accounts were reported in the general ledger incorrectly. Thus, the District's books were not reliable during the year, and not corrected until after the fiscal year ended as described above.

Also, the construction project invoice exclusion from accounts payable resulted from an understatement of \$238,180.

Recommendation:

In the future, we again recommend that the District take the steps necessary to ensure that reconciliation of all general ledger accounts is complete and accurate.

**View of
Responsible**

Officials: The Business Office Administration will review bank reconciliation documentation and balance sheet account reconciliations every month. Corrective action will take place in a timely manner as necessary. This practice has started.

SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)

Finding 2008-2 Segregation of Duties and Journal Entry Review – Significant Deficiency

Criteria: It is common knowledge that segregation of duties is a basic and key internal control. There are two main benefits provided by this control. First, deliberate fraud is more difficult because it would require two or more individuals, and second unintentional errors are much more likely to be found. However, in small to medium sized organizations, complete segregation of duties is difficult and the benefits may not exceed the incremental costs. In this situation, a detailed review process is necessary to mitigate the risks of fraud and errors.

Condition: During the course of our audit procedures it came to our attention that the accounts payable and payroll functions were not adequately segregated from the general ledger function. In addition there was no documented review of journal entries taking place.

Cause: The inadequate segregation of duties is a direct result of the size of the organization, and the number of employees available to complete all necessary accounting functions. The lack of documented journal entry review results from a deficiency in the review process where either a review was not being performed or the reviewer was not aware that the review needed to be documented.

Effect: As a result of this condition, the risk that fraud or errors would not be prevented or detected is substantially increased.

Recommendation:

We recommend that the District carefully weigh the cost of segregating the accounts payable and payroll functions from the general ledger function versus the benefit. In addition, we recommend that the District determine and implement adequate review processes to mitigate the risk of fraud or errors in areas where segregation of duties is not considered practical.

View of Responsible

Officials: The District will take appropriate steps to identify areas where an adequate segregation of duties would be practical. All journal entries will be reviewed by the Business Manager prior to input by the accounting staff.

SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED JUNE 30, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2008-3 Certification of Payroll Expenditures – Significant Deficiency

Program: I.D.E.A. Cluster CFDA# 84.027, 84.173

Criteria: Office of Management and Budget (OMB) Circular No. A-87, Cost Principles for State, Local, and Indian Tribal Governments, requires that when employees work solely on a single federal award, charges for their salaries must be supported by personnel activity reports or semiannual certifications that they worked solely on that program for the period covered by the certification.

Condition: During the year ended June 30, 2008, the District had eight individuals that worked 100% on the IDEA grant cost objective. Seven of these individuals only had one of the semiannual certifications prepared during the year, while one individual had no documentation of the time spent working on the grant.

Cause: Appropriately designed controls were not in place during the year to ensure the appropriate payroll documentation was prepared and retained.

Effect: The District was not in compliance with the payroll documentation required by the OMB Circular No. A-87, Cost Principles for State, Local, and Indian Tribal Governments.

Questioned Costs:

No costs were questioned in relation to this finding as the employees working on the federal cost objective appeared to be correctly charged, but lacked the adequate documentation required by OMB Circular A-87.

Recommendation:

We recommend that the District implement a process where adequate documentation for compliance with the OMB Circular A-87 is prepared and retained.

**View of
Responsible**

Officials: After reviewing the OMB Circular A-87, the District has decided to have the Special Education Director fill out certifications three times a year listing all of the employees who work 100% of their time on the I.D.E.A Cluster cost objective.

SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED JUNE 30, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Concluded)

Finding 2008-4 Eligibility Determination and Verification – Significant Deficiency

Program: Child Nutrition Cluster CFDA# 10.553, 10.555

Criteria: The Office of Management and Budget (OMB) Circular No. A-133 Compliance Supplement requires recipients of federal funds through the School Breakfast and National School Lunch programs to determine the eligibility of enrolled children at their school and verify the incomes from a specific sample of approved applications.

Condition: During our audit procedures we noted two instances out of 40 where the eligibility determination was incorrectly completed by the school. In addition, we noted that one of the eight applications selected for income verification did not meet the criteria required for selection.

Cause: The two instances where eligibility was incorrectly determined appear to have been mathematical errors while calculating the income level or number of family members. The instance of an incorrectly selected application for verification appears to have been an oversight during the selection process.

Effect: One student received free lunch benefits when he was only eligible for a reduced lunch.

Recommendation:

We recommend that the District implement a process to ensure that eligibility determination and verification is completed correctly and accurately.

**View of
Responsible**

Officials: The District will take the steps necessary to make sure this issue is adequately resolved in the future.

SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

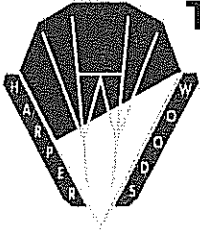
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED JUNE 30, 2008

SECTION IV – PRIOR YEAR FINDINGS

2007-3 This item was not adequately addressed in the current year and has been repeated as comment 2008-3.

* * * * *



THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

20225 BEACONSFIELD • HARPER WOODS, MICHIGAN 48225-1395

TEL. (313) 245-3000 • FAX (313) 839-1249

Office of the
Superintendent

October 31, 2008

Re: Financial Statement Findings for the 2007/2008 year.

To Whom It May Concern:

The following is the corrective action that has been implemented in our District regarding the two findings.

Finding 2008-3: Certification of Payroll Expenditures:

After reviewing the OMB Circular A-87; the District has decided to have the Special Education Director fill out certifications three times a year listing all of the employees who work 100% of their time on the I.D.E.A. Cluster cost Objective.

Finding 2008-4: Eligibility Determination and Verification

The District will take the steps necessary to make sure this issue is adequately resolved in the future.

Thank you,

Michelle Schurman, CTP
Business Manager

Graduates will create the families, careers, and communities that are aligned with their aspirations and values.

It is the policy of the School District of the City of Harper Woods that no discriminatory practices based on gender, race, religion, color, age, national origin, disability, height, weight, or any other status covered by federal, state or local law be allowed in providing instructional opportunities, programs, services, job placement assistance, employment or in policies governing student conduct and attendance. Any person suspecting a discriminatory practice should contact the Secondary School Principal at the School District of the City of Harper Woods, 20225 Beaconsfield, Harper Woods, MI 48225, or call (313) 245-3000.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



October 10, 2008

Board of Education
The School District of the City of Harper Woods
Harper Woods, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Harper Woods School District* (the “District”) for the year ended June 30, 2008, and have issued our report thereon dated October 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated August 5, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the District’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District’s compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 8, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements may be affected by unusual transactions, including nonrecurring transactions. The following significant unusual accounting transactions occurred during the year:

- During 2008, the District took a significant loss relating to the demolition of the old high school which was not fully depreciated.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During our audit procedures we discovered an adjustment that would decrease the District's accounts payable and salary expenditures by \$7,473. Management has determined effect is immaterial to the financial statements taken as a whole, and to leave the misstatement uncorrected. The misstatement described in the Schedule of Findings and Questioned Costs as item 2008-1 was corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *Harper Woods School District* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

Harper Woods School District

Comments and Recommendations

For the Year Ended June 30, 2008

In planning and performing our audit of the financial statements of the Harper Woods School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the District's Single Audit report.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be material weaknesses are described in the Schedule of Findings and Questioned Costs in the District's Single Audit report.

Other Matters

Employee Dishonesty Bonds

It came to our attention that the District is currently insured for \$50,000 per occurrence for loss due to employee dishonesty. From previous experience with other school districts and based on the size of Harper Woods Public Schools, we recommend that the District consider increasing this coverage to a level deemed adequate by the insurance carrier.

Harper Woods School District

Comments and Recommendations

For the Year Ended June 30, 2008

Budgeting Process

The Budget and Actual comparison as shown in the District's annual audited financial statements depict actual expenditures greater than the final budget by approximately \$395,000. We noted that the budget for the general fund was last amended in December 2007.

We recommend that the District evaluate and make adjustments to the budget throughout the year in order to closely monitor the results of operations and to avoid budget variances. Most Districts make the final budget adjustment at the last Board meeting in June.

Athletic Ticket Sales

During our audit procedures, it came to our attention that there is no formal procedure to verify the amount of money collected from an athletic event. We recommend that a form be utilized where the number of tickets sold can be used to compute the estimated cash received. This amount can then be compared to the actual deposit amount, and signed off by the appropriate person in the athletic department.

Payroll Maintenance Report

During our audit procedures, it came to our attention that there is no formal review of changes made to the payroll system on a regular basis. We recommend that the District generate an "ISWAS report" that would detail all changes made to the payroll system for each pay date and put procedures in place where someone independent of the payroll function would print and review this report for unusual changes.

Other Informational Items

Food Service Management Company

The Michigan Department of Education school auditing manual only allows a school district to renew the contract with their food service management company for four years, after which the district must submit a request for bid. We would like to remind the District that the upcoming fiscal year (2008-2009) will be the final year that contract renewal will be allowed and that full bidding procedures will be required for the 2009-2010 school year.

FORM **SF-SAC**
(8-6-2008)U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates in 2008, 2009, or 2010**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

PART 1**GENERAL INFORMATION (To be completed by auditee, except for Items 6, 7, and 8)**

1. Fiscal period ending date for this submission		2. Type of Circular A-133 audit	3. Audit period covered
Month 06	Day 30	Year 2008	
		1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit	1 <input checked="" type="checkbox"/> Annual 3 <input type="checkbox"/> Other — <input type="text"/> Months 2 <input type="checkbox"/> Biennial

4. Auditee Identification Numbers

a. Primary Employer Identification Number (EIN)

3	8	—	6	0	0	4	1	6	7
---	---	---	---	---	---	---	---	---	---

d. Data Universal Numbering System (DUNS) Number

0	3	—	9	8	6	—	7	0	4	9
---	---	---	---	---	---	---	---	---	---	---

b. Are multiple EINs covered in this report? 1 ☐ Yes 2 ☒ No

e. Are multiple DUNS covered in this report? 1 ☐ Yes 2 ☒ No

c. If Part I, Item 4b = "Yes," complete Part I, Item 4c on the continuation sheet on Page 4.

f. If Part I, Item 4e = "Yes," complete Part I, Item 4f on the continuation sheet on Page 4.

5. AUDITEE INFORMATION

a. Auditee name
THE SCHOOL DISTRICT OF THE CITY OF HARPER WOODS

b. Auditee address (Number and street)
20225 BEACONSFIELD ST.
City
HARPER WOODS
State
MI ZIP + 4 Code
4 8 2 2 5 —

c. Auditee contact
Name
MICHELLE SCHURMAN
Title
BUSINESS MANAGER

d. Auditee contact telephone
(313) 245 — 3023

e. Auditee contact FAX
(313) 839 — 1249

f. Auditee contact E-mail
MICHELLE.SCHURMAN@HWOODS.K12.MI.US

g. AUDITEE CERTIFICATION STATEMENT — This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Auditee certification	Date
ELECTRONICALLY CERTIFIED	11/3/2008
Name of certifying official	
MICHELLE SCHURMAN	
Title of certifying official	
BUSINESS MANAGER	

**6. PRIMARY AUDITOR INFORMATION
(To be completed by auditor)**

a. Primary auditor name
REHMANN ROBSON

b. Primary auditor address (Number and street)
675 ROBINSON RD.
City
JACKSON
State
MI ZIP + 4 Code
4 9 2 0 3 —

c. Primary auditor contact
Name
DAVID M. FISHER, CPA
Title
PRINCIPAL

d. Primary auditor contact telephone
(517) 787 — 6503

e. Primary auditor contact FAX
(517) 788 — 8111

f. Primary auditor contact E-mail
DAVE.FISHER@REHMANN.COM

g. AUDITOR STATEMENT — The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

7a. Add Secondary auditor information? (Optional)1 ☐ Yes 2 ☒ No

b. If "Yes," complete Part I, Item 8 on the continuation sheet on page 5.

Auditor certification	Date
ELECTRONICALLY CERTIFIED	10/31/2008

PART II**FINANCIAL STATEMENTS (To be completed by auditor)****1. Type of audit report**

Mark either: 1 ☒ Unqualified opinion **OR**
any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report?1 ☐ Yes 2 ☒ No**3. Is a significant deficiency disclosed?**1 ☒ Yes 2 ☐ No – SKIP to Item 5**4. Is any significant deficiency reported as a material weakness?**1 ☒ Yes 2 ☐ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III****FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))**

\$ 300,000

3. Did the auditee qualify as a low-risk auditee? (§ .530)1 ☐ Yes 2 ☒ No**4. Is a significant deficiency disclosed for any major program? (§ .510(a)(1))**1 ☒ Yes 2 ☐ No –SKIP to Item 6**5. Is any significant deficiency reported for any major program as a material weakness? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development10 ☐ Agriculture23 ☐ Appalachian Regional Commission11 ☐ Commerce94 ☐ Corporation for National and Community Service12 ☐ Defense84 ☐ Education81 ☐ Energy66 ☐ Environmental Protection Agency39 ☐ General Services Administration93 ☐ Health and Human Services97 ☐ Homeland Security14 ☐ Housing and Urban Development03 ☐ Institute of Museum and Library Services15 ☐ Interior16 ☐ Justice17 ☐ Labor09 ☐ Legal Services Corporation43 ☐ National Aeronautics and Space Administration89 ☐ National Archives and Records Administration05 ☐ National Endowment for the Arts06 ☐ National Endowment for the Humanities47 ☐ National Science Foundation07 ☐ Office of National Drug Control Policy59 ☐ Small Business Administration96 ☐ Social Security Administration19 ☐ U.S. Department of State20 ☐ Transportation21 ☐ Treasury64 ☐ Veterans Affairs00 ☒ None☐ Other – Specify:

PART III FEDERAL PROGRAMS - Continued

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS				
CFDA Number	Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)	If yes, type of audit report (h)	Type(s) of compliance requirement(s) (a)	Audit finding reference number(s) (b)
Federal Agency Prefix1 (a)	Extension 2 (b)				Major program (g)			
1 0 .550	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ENTITLEMENT COMMODITIES	\$ 15,401 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1 0 .553	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NATIONAL SCHOOL BREAKFAST PROGRAM	\$ 40,845 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	E	2008-4
1 0 .555	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NATIONAL SCHOOL LUNCH PROGRAM	\$ 190,608 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	E	2008-4
8 4 .010	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE I	\$ 116,591 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4 .367	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE IA	\$ 27,918 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4 .318	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE II D	\$ 1,066 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4 .298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE V	\$ 252 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4 .027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	IDEA PART B	\$ 6,478 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	B	2008-3
8 4 .027A	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	IDEA FLOWTHROUGH	\$ 247,978 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	B	2008-3
8 4 .173	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PRESCHOOL INCENTIVE	\$ 9,099 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	B	2008-3
TOTAL FEDERAL AWARDS EXPENDED			\$ 656,256 .00					

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

- A. Activities allowed or unallowed
B. Allowable costs/cost principles
C. Cash management
D. Davis - Bacon Act
5 N/A for NONE
- E. Eligibility
F. Equipment and real property management
G. Matching, level of effort, earmarking
H. Period of availability of Federal funds
- I. Procurement and suspension and debarment
J. Program income
K. Real property acquisition and relocation assistance
- L. Reporting
M. Subrecipient monitoring
N. Special tests and provisions
O. None
P. Other

PART I Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

f. List the multiple DUNS covered in the report.

1	N / A	21	41							1	N / A	21							
2		22	42							2		22							
3		23	43							3		23							
4		24	44							4		24							
5		25	45							5		25							
6		26	46							6		26							
7		27	47							7		27							
8		28	48							8		28							
9		29	49							9		29							
10		30	50							10		30							
11		31	51							11		31							
12		32	52							12		32							
13		33	53							13		33							
14		34	54							14		34							
15		35	55							15		35							
16		36	56							16		36							
17		37	57							17		37							
18		38	58							18		38							
19		39	59							19		39							
20		40	60							20		40							

PART I GENERAL INFORMATION - Continued

8. Part I, Item 8, Secondary Auditor's Contact Information. (List the Secondary Auditor's Contact information)

1. a. Secondary Auditor name N / A		2. a. Secondary Auditor name		3. a. Secondary Auditor name	
b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
c. Secondary Auditor contact Name Title		c. Secondary Auditor contact Name Title		c. Secondary Auditor contact Name Title	
d. Secondary Auditor contact telephone		d. Secondary Auditor contact telephone		d. Secondary Auditor contact telephone	
e. Secondary Auditor contact FAX		e. Secondary Auditor contact FAX		e. Secondary Auditor contact FAX	
f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail	
4. a. Secondary Auditor name		5. a. Secondary Auditor name		6. a. Secondary Auditor name	
b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
c. Secondary Auditor contact Name		c. Secondary Auditor contact Name		c. Secondary Auditor contact Name	
Title		Title		Title	
d. Secondary Auditor contact telephone		d. Secondary Auditor contact telephone		d. Secondary Auditor contact telephone	
e. Secondary Auditor contact FAX		e. Secondary Auditor contact FAX		e. Secondary Auditor contact FAX	
f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail	